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Reagan Budget Surprise

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Federal employees who can now increase their pensions by not taking sick leave would lose that right under one of the many civil service changes President Reagan proposed yesterday in his new budget.

The president also asked Congress to make a 5 percent cut in the pay of the nation's 1.6 million federal employees, make them work longer to get full retirement benefits and cap cost-of-living raises for retired civilian workers and military personnel.

Federal workers have been expecting most of the proposals that showed up in the president's budget. But the plan to make changes in the sick leave system caught many employees—as well as some civil service reporters—by surprise.

Under the present rules federal employees can count unused sick leave toward service time when they retire, but they would lose that option over the next four years if the proposal is approved by Congress.

They currently earn 13 days of sick leave each year, with unused leave credited toward retirement. So an employee who retires with 30 days of unused sick leave has the final annuity figured as if an extra month had been worked.

Workers with 2,080 hours of unused sick leave—and many people have saved up that much time—get credited for working an extra year for

Uncle Sam, and their pensions can be raised by several percentage points.

Reagan's plan would not change the amount of sick leave employees earn. But it would phase out the retirement credit they can get for any unused leave.

Employees who now have unused sick leave could get credit toward retirement for 80 percent of it if they retired next year; those who retired two years after enactment would get 60 percent credit, and so on.

Employees who retired five years from now would get no credit for unused sick leave, no matter how much they turned back to the government.

The administration estimates that ending the credit would save \$1 million in 1986 and \$86 million by 1990.

But the people who are doing the estimates apparently are unaware of the reasons that Congress set up the retirement credit plan in 1969. The reason then was to save money.

Government studies in the mid-1960s indicated that sick leave use and abuse increased dramatically in the last year of employment.

Many people suspected that workers who had saved up big amounts of sick leave were using it, sometimes as a preretirement vacation, rather than losing it.

"It wasn't unusual for somebody to get 'sick' the two months before he retired," a veteran of the old Civil Service Commission said. "The bosses knew what was up and they just winked at it.

"Some people came back to work, looking suntanned and healthy, just for their retirement party. Certainly there were many instances when employees were genuinely ill . . . after all, they were older . . . in their last year.

"But there was a considerable body of evidence, from the GAO [General Accounting Office] and from congressional testimony that the use it or lose it system encouraged abuse," he said.

He called it "ironic" that this administration is now asking Congress to abolish something for the sake of economy, when the program was set up for economic reasons.

"I guess this is what comes from pushing all the old-timers out and wiping out your institutional memory," he observed.